

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

I. Summary of significant accounting policies

The financial statements of the County of Bernalillo (County) have been prepared in conformity with generally accepted accounting principles as applied to governmental entities. The significant governmental accounting policies are described below.

A. Reporting entity

The County was established by the laws of the Territory of New Mexico of 1876, under the provisions of the act now referred to as Section 4-1-1 of the New Mexico Statutes Annotated, 1978 Compilation. The County operates under the commission-manager form of government and provides the following services as authorized in the grant of powers: public safety (sheriff, fire, emergency medical, etc.), highways and streets, sanitation, health and social services, low rent housing assistance, culture-recreation, public improvements, planning and zoning, and general administration services.

The County's basic financial statements include all activities and accounts of the County's "financial reporting entity."

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the County's reporting entity.

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Some organizations are included as component units because of their fiscal dependency on the primary government if they are unable to adopt a budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

There are no component units during the fiscal year ended June 30, 2006.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Fiduciary fund financial statements are reported using the accrual basis of accounting and have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the County considers

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revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures, generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is made.

Property taxes, gross receipts taxes, motor vehicle taxes, cigarette taxes, gasoline taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Derived gross receipts tax revenue is recognized when the underlying exchange transaction takes place. A small portion of the gross receipts tax revenue is derived from an estimate of delinquent taxes not yet collected and available. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

The *General fund* is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The *TRAN Debt Service fund* accounts for the accumulation of resources and payment of tax revenue anticipation notes principal and interest from County resources.

Additionally, the government reports the following fund types

Internal service funds account for operations that provide services to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund is the Risk Management fund, which is used to account for its risk management activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's risk management and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital

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grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and/or delivering goods in connection with proprietary fund's principal ongoing operations. Approximately 85% of the operating revenues of the County's five proprietary funds consist of user and administrative fees.

The modified accrual basis of accounting is followed by the governmental fund types and agency funds for financial statement purposes. Under the modified accrual basis of accounting, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become measurable and available to pay liabilities of the current period (amounts collected within 60 days after year end).

Those revenues susceptible to accrual are property taxes, gross receipts taxes, investment income and charges for services. Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received. Expenditures are recorded as liabilities when they are incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The County reports unearned revenue on its combined balance sheet. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the County before it has legal claim to them, as when grant monies are received prior to the incurrance of qualifying expenditures. In subsequent periods when both revenue recognition criteria methods are met or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, and then unrestricted resources as they are recorded.

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D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The County's cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments in the County's cash are stated at cost, which approximates fair value except for GNMA's and PEFCOs, which are recorded at fair market value using, quoted market prices for financial statement purposes. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

State Statute Sections 6-10-44 and 6-10-10(f), NMSA 1978, as amended, authorize the County Treasurer to invest in United States Treasury certificates, United States Treasury bonds or negotiable securities of the United States, bonds or negotiable securities of the State of New Mexico or of any county, municipality, or school district and yield maintenance repurchase agreements with the advice and consent of the County Board of Finance. The Treasurer's investment procedures must be consistent with Bernalillo County Investment Policy.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year that are expected to be paid back within the year are referred to as "due to/from other funds." Lending/borrowing arrangements not expected to be paid back within the year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 7.4% of outstanding property taxes at June 30, 2006.

The County is responsible for assessing, collecting and distributing property taxes for other governmental entities and its own operational and debt service purposes. Property taxes are assessed on November 1 of each year based on the assessed value on the prior January 1 and are payable in two equal installments by November 10 of the year in which the tax bill is prepared and by April 10 of the following year. Property taxes are delinquent if not paid by December 10 and May 10. Taxes on real property are a lien from January 1 of the year for which the taxes are imposed. Collections and remittance of County property taxes are

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accounted for in the County Treasurer Agency Funds. The billings are considered past due 60 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

3. Inventories and prepaid items

The inventories in the general fund consist of fuel, vehicle parts, and fluids. Inventories are recorded using first-in, first-out cost method. The costs of inventories in governmental fund types are recorded as expenditures when purchased; therefore, the inventory amount is not available for appropriation.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital assets

Capital assets, which include property, plant, equipment, software, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$1,000 and estimated useful life in excess of one year and after July 1, 2005 an individual cost of \$5,000. Purchased or constructed assets are recorded at historical cost or estimated cost. Donated capital assets are recorded as estimated fair market value at the date of the donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	10-80
Buildings and other improvements	15-40
Machinery and equipment	5-10

5. Compensated absences

County employees may accumulate limited amounts of vacation pay which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources. A liability for amounts earned but not payable from available,

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expendable resources is reported in the government-wide financial statements. For proprietary funds, vacation costs are recognized as a liability when earned.

County employees may accumulate limited amounts of sick leave. For governmental funds, expenditures are recognized during the period in which sick leave costs become payable from available, expendable resources. For proprietary funds, sick leave costs are recognized when vested or taken, whichever occurs first.

6. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Net Assets*

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as follows:

Investment in capital assets, net of related debt – This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

Restricted net assets – This category reflects the portion of net assets that have third party limitations on their use.

Unrestricted net assets – This category reflects net assets of the County, not restricted for any project or other purpose.

8. *Fund Equity Reservation and Designations*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted. Designations represent tentative managerial plans that are subject to change. Fund equity was reserved for:

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Reserved for debt service - Amounts legally restricted for the payment of long-term debt.

Reserved for inventory - Segregates a portion to indicate that although supplies inventory is an asset, it does not represent an available, spendable resource.

Reserved for note receivable - Segregates a portion to indicate that although the notes receivable is an asset, it does not represent an available, spendable resource.

Reserved for advances to other funds - The amount of advances to other funds not available for appropriation and/or expenditure.

Reserved for prepaid items - Segregates a portion to indicate that although prepaid items are an asset, it does not represent an available, spendable resource.

Reserved for encumbrances - Represents the amounts that were budgeted as current year expenditures, which were unspent at year-end and which were encumbered and rebudgeted for the subsequent year.

Reserved for subsequent years' expenditures - Represents the amounts, other than carryover expenditures, that are required to be designated for subsequent years' expenditures.

Unreserved, undesignated – Amounts, which have not been reserved or designated for any purpose. These funds are available for unrestricted usage by the County.

9. Cash Flows

For purposes of the Statement of Cash Flows, the various enterprise funds consider all highly liquid assets (excluding restricted assets) with maturity of three months or less when purchased to be cash equivalents.

10. Bond Premiums/Issuance Costs

In governmental fund types, bond premiums and issuance costs are recognized in the current period. Bond premiums are presented, separately as other financing sources.

11. Presentation

Certain reclassifications of prior year information have been made to conform to current year presentation.

12. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported

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amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government –wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets –governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Bonds and bond anticipation notes payable	\$ (266,118,571)
Capital leases payable	(1,350,110)
Long-term note payable	(5,586,382)
Compensated absences	(9,981,819)
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ (283,036,882)</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that, “Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 38,355,698
Expenses	(16,480,272)
Depreciation expense	(21,407,177)
Net adjustment to decrease net changes in fund balances – total Governmental funds to arrive at changes in net assets of Governmental activities	<u>\$ 468,249</u>

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Another element of that reconciliation states that, “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The details of this difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (19,201,000)
Issuance of revenue bonds	(43,690,000)
Issuance of long-term note	(7,401,160)
Bond issuance cost	643,458
Bond premium	(4,888,617)
Discount	413,689
Refunding	2,759,651
Principal repayments:	
General obligation and revenue bonds	9,605,000
Long-term note	1,814,778
Capital leases	212,282
Debt defeased:	
General obligation bonds	13,385,000
Gross receipts revenue bonds	44,735,000
Net adjustment to decrease net changes in fund balances –	
Total governmental funds to arrive at changes in net assets	
of governmental activities	<u>\$ (1,611,919)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated absences	\$ (827,708)
Accrued interest	537,092
Amortization of deferred charge on refunding	(281,453)
Amortization of bond discounts	(23,450)
Amortization of issuance cost	<u>(72,749)</u>
Net adjustment to decrease net changes in fund balances – total	
Governmental funds to arrive at changes in net assets of	
Governmental activities	<u>\$ (668,268)</u>

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III. Stewardship, compliance and accountability

A. Budgetary information

Actual amounts on the budgetary basis financial statements are prepared on the cash basis of accounting which recognizes revenues when received and expenditures when paid. Annual budgets are adopted for the general, internal service, most special revenue, debt service funds, and some proprietary funds. The proprietary funds, and the following governmental funds did not adopt annual operating budgets during the current fiscal year:

Special Revenue:

- Grants
- Public Works Grants
- Section 8 Housing – Vouchers
- Sheriff’s Investigative Fund
- Law Enforcement Block Grants
- Clerk’s Bilingual

Debt Service:

- Series 1996 Reserve
- Series 1996B Reserve
- Series 1997 Reserve
- Refunding Series 1998 Reserve
- Series 1999 Reserve
- All Capital Projects Funds
- Proprietary Funds
 - Bernalillo County Housing Authority
 - Seybold Village Handicapped Project
 - El Centro Familiar

Budget amounts for Capital Projects Funds and certain Special Revenue Funds are individual project budgets authorized by the County Commission for the entire length of the project. The County Manager has administrative authority to make line item changes within a specific capital project without County Commission approval if the total change does not exceed 10 percent of the original budget. Once the County Commission has approved grant applications for projects, the County Manager is authorized to expend any funds awarded as a result of the grant application.

The County Manager is responsible for preparing the budget from requests submitted by division directors. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the County Commissioners for approval by resolution. The proposed budget is then submitted by June 1 to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1 with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

Transfers of appropriations within a fund may be made with cognizant Deputy County Manager or elected official approval. Increases or decreases in the budget of a fund or transfers of appropriations between funds must be presented to the County Commission for

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approval by resolution and must subsequently have DFA approval. Amendments made to the original budget are included in the budgetary comparison statements of this report, which reflect actual to budget.

Budgets and amendments to the budgets for all funds are adopted in a legally permissible manner. The legal level of budgetary control is the fund level. Expenditures may not legally exceed budgeted appropriations at the fund level except for the Emergency Medical Services and Fire District funds, whose legal level of budgetary authority is at the program or district level. All outstanding encumbrances must be rebudgeted in the next year's budget. During the year, several supplementary appropriations were necessary.

Budgetary compliance – non GAAP financial statements

The County prepares its annual budget on a non-GAAP basis of accounting as described above. A reconciliation of the general fund non-GAAP statement to the GAAP statement is as follows:

	<u>General Fund</u>
Net changes in fund balance – GAAP basis	\$ 25,154,612
(Increases) decreases in assets:	
Accounts receivable	(2,076,950)
Due to/from other funds	(1,286,319)
Accrued interest	(722,923)
Inventory	(90,251)
Increase (decrease) in liabilities:	
Accounts payable	(377,805)
Deferred revenue	3,269,660
Accrued payroll	(2,349,915)
Net changes in fund balance – Budget to Actual	<u>\$ 21,520,109</u>

B. Deficit fund equity

There is unreserved/undesignated deficit fund balance in the Public Works Grants Fund, Grants Fund, the Law Enforcement Block Grant Fund, Storm Sewer Construction Fund, Juvenile Center Fund, the Parks & Recreation fund, and the Road Construction Fund in the amount of \$921,546, \$2,098,330, \$12,354, \$3,869,895, \$21,067, \$764,740, and \$3,245,544 respectively. The deficit fund balances are primarily attributed to large encumbrance balances at year-end. There is a deficit net asset balance of \$34,051 in the Fire District Fund. \$19,245 of the deficit amount is attributed to encumbrance balances at year-end. The County expects that FY07 operating revenues will be sufficient to cover the remaining deficit balance.

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IV. Detailed notes on all funds

A. Cash and investments

As of June 30, 2006, the County had the following investments.

Investment Type	Fair Value	Weighted Maturity Average (Months)
U.S. Agencies	\$ 123,528,245	9.72
PEFCO Bonds	2,058,324	0.09
Hypo Bond	30,000,000	2.33
Repurchase Agreements	16,681,279	15.44
Certificates of Deposits	59,000,001	1.28
Total fair value	<u>\$ 231,267,849</u>	
Portfolio weighted average maturity		1.98

Interest Rate Risk. The County's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The County's investments shall be in accordance with State Law, 6-10-10, and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips, and US Government securities which are backed by the full faith and credit of the U.S. Government. Negotiable securities of the State of New Mexico or any county, municipality, or school district with the advice and consent of the Board of Finance per 6-10-44 NMSA 1978, 6-10-10F NMSA 1978, 6-10-10 NMSA 1978.

As of June 30, 2006, the County's investments in U.S. Agencies and PEFCO bonds were rated Aaa by Moody's Investors Service and AAA by Standard & Poor's. The County's investments in HYPO bonds and Repurchase Agreements were rated Aaa by Moody's Investors Service and AAA by Standard & Poor's.

Concentration of Credit Risk. The County's investment policy places no limit on the amount the County may invest in any one issuer. More than 25 percent of the County's investments are in Certificates of Deposit with the County's local banks with maturities ranging from 7 days to 2 years and more than 22 percent of the County's investments are in U.S. Agencies with maturities less than 1 year.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2006, \$7,107,000 of the County's investment in CD's with New Mexico Bank & Trust was exposed to custodial credit risk. It was uninsured and uncollateralized. All other cash balances are not exposed. They are fully collateralized and the collateral is held in the County's name. The County's investments in U.S. Agencies and PEFCO bonds carry the explicit guarantee of the

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U.S. Government. The remaining investments are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in the County's name.

A reconciliation of cash and investments for the County follows:

Bank accounts	\$	14,595,198
Petty cash on hand		1,570
Reconciling items		(2,808,444)
Carrying amount of investments		<u>231,267,849</u>
Total cash and investments	\$	<u><u>243,056,173</u></u>

Statement of Net Assets

Cash and investments:

Primary Government \$233,308,488

Statement of Fiduciary Net Assets 9,747,685

Total cash, investment \$243,056,173

The County is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (section 6-10-17 NMSA 1978). The pledged collateral is stated at market value as of June 30, 2006. Investments held at the State Investment Pool are monitored by the State Treasurer's Office and the State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits.

B. Receivables

	General	Nonmajor Governmental Funds	Enterprise Funds	Agency Funds	Total
Property Taxes	\$ 6,225,513	\$ 905,512	\$ -	\$ 25,194,395	\$32,325,420
Gross Receipts Taxes	15,912,594	873,854	-	-	16,786,448
Gasoline Taxes	294,123	-	-	-	294,123
Motor Vehicle Tax	246,099	-	-	-	246,099
Cigarette Tax	341	170	-	-	511
Transportation Fees	200,531	-	-	-	200,531
Clerk's Fees	-	8,687	-	-	8,687
Solid Waste Fees	-	-	2,555,637	-	2,555,637
Special Assessments	-	-	-	733,609	733,609
Intergovernmental	222,016	6,825	-	-	228,841
Due from other governments	2,131,174	2,748,115	460,786	-	5,340,075
Other	544,535	1,376	785	540	547,236
Gross Receivables	25,776,926	4,544,539	3,017,208	25,928,544	59,267,217
Less: allowance for uncollectibles	(1,101,748)	(84,157)	(1,929,829)	(1,723,211)	(4,838,945)
Net total receivables	\$ 24,675,178	\$ 4,460,382	\$ 1,087,379	\$ 24,205,333	\$54,428,272

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Note receivable

On April 27, 2004 the County Commission approved a \$200,000 loan to the Mid-Region Council of Governments (MRCOG) for renovations at the office building at 809 Copper Avenue NW that is owned by the County and leased to MRCOG under a lease purchase agreement. The money will be repaid over 15 years with interest at 3.9% and principle payments of \$1,470. The balance of this note was \$186,555 at June 30, 2006.

C. Capital assets

Capital asset activity for the year was as follows:

	Balance		Balance	
	June 30, 2005	Increases	Decreases	June 30, 2006
Governmental activities				
Capital assets, not being depreciated:				
				\$
Land	\$ 121,202,983	\$ 1,273,226	\$ -	122,476,209
Construction in progress	18,864,901	20,600,854	(16,716,995)	22,748,760
Art	1,424,512	-	-	1,424,512
Total capital assets, not being				
Depreciated	141,492,396	21,874,080	(16,716,995)	146,649,481
Capital assets, being depreciated:				
Buildings	235,348,198	3,998,318	(161,630)	239,184,886
Machinery and equipment	61,306,825	2,859,793	(4,152,734)	60,013,884
Infrastructure	211,778,582	9,860,230	(853,319)	220,785,493
Leasehold improvements	2,804,000	-	-	2,804,000
Total capital assets being				
Depreciated	511,237,605	16,718,341	(5,167,683)	522,788,263
Less Accumulated depreciation for:				
Buildings	(56,036,132)	(9,427,252)	86,202	(65,377,182)
Machinery and equipment	(50,589,749)	(4,241,178)	4,123,595	(50,707,332)
Infrastructure	(64,280,006)	(7,626,587)	280,338	(71,626,255)
Leasehold improvements	(457,987)	(112,160)	-	(570,147)
Total accumulated depreciation	(171,363,874)	(21,407,177)	4,490,135	(188,280,916)
Total capital assets, being depreciated, net	339,873,731	(4,688,836)	(677,548)	334,507,347
Governmental activities capital assets, net	\$ 481,366,127	\$ 17,185,244	\$ (17,394,543)	\$ 481,156,828

COUNTY OF BERNALILLO, NEW MEXICO
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	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 435,352	\$ -	\$ -	\$ 435,352
Construction in progress	132,959	12,196	(110,317)	34,838
Total capital assets, not being depreciated	568,311	12,196	(110,317)	470,190
Capital assets, being depreciated:				
Buildings	6,127,003	-	(749)	6,126,254
Machinery and equipment	2,953,285	82,608	(15,854)	3,020,039
Total capital assets being depreciated	9,080,288	82,608	(16,603)	9,146,293
Less accumulated depreciation for:				
Buildings	(2,366,990)	(257,797)	112	(2,624,675)
Machinery and equipment	(1,863,770)	(194,392)	15,854	(2,042,308)
Total accumulated depreciation	(4,230,760)	(452,189)	15,966	(4,666,983)
Total capital assets, being depreciated, net	4,849,528	(369,581)	(637)	(4,479,310)
Business-type activities capital assets, net	\$ 5,417,839	\$ (357,385)	\$ (110,954)	\$ 4,949,500

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 2,219,368
Public safety	9,717,568
Culture and recreation	279,652
Public works	8,332,194
Health and welfare	858,395
Total depreciation expense-governmental activities	<u>\$ 21,407,177</u>
Business-type activities:	
Solid waste	\$ 125,300
Housing Authority	68,232
Seybold Village	68,960
El Centro Familiar	123,777
Total depreciation expense-business-type activities	<u>\$ 386,269</u>

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
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D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2006, is as follows:

<u>Due to</u>	<u>Due from</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Enterprise Funds</u>	
General fund	\$	\$ 1,755,930	\$ 436,726	\$ 2,192,656
Nonmajor fund	99,530	822,782		922,312
Enterprise funds		336,522	192,966	529,488
Internal service funds	196,952			196,952
Total	\$ 296,482	\$ 2,915,234	\$ 629,692	\$ 3,841,408

Advances. For the purpose of financing cost-reimbursement grants, the general fund advanced the grants fund \$1,397,000 and the public works grants fund \$100,000. The environmental fund financed the initial start-up of the solid waste fund through an advance of which \$237,199 is outstanding at June 30, 2006.

During the year, the County makes various transfers of monies to fund debt service payments, capital projects, and to reimburse the General fund for cost incurred on behalf of other funds. Interfund transfers for the year ended June 30, 2006 were as follows:

Transfer to general fund from:

Solid Waste- Enterprise funds	\$ 200,000
Total transfers to general fund	<u>200,000</u>

Transfer to TRAN debt Service from

General Fund	<u>1,800,000</u>
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Transfers to debt service funds from:

General Fund	12,040,446
Nonmajor governmental funds	<u>11,468,135</u>
Total transfers to debt service funds	<u>23,508,581</u>

Transfers to capital projects funds from:

General Fund	5,000
Water/wastewater	974,386
Nonmajor funds	<u>61,691</u>
Total transfers to capital project funds	<u>1,041,077</u>

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
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Transfers to special revenue funds from:

Non major governmental funds	495,938
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Transfers to enterprise funds from:

General fund	\$ 200,000
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E. Leases

Capital Leases

The County is obligated to the State of New Mexico for the acquisition of voting machines. These leases lease agreements qualify as capital leases and recorded at the present value of their future minimum payments. The County does not pay interest on the capital lease obligation. Assets under capital leases totaled \$2,695,850 for machinery and equipment. The following is a schedule of the future minimum lease payments under capital leases at June 30, 2006:

	Governmental Activities
2007	\$ -
2008	212,282
2009	212,282
2010	212,282
2011	212,282
2012-2014	500,982
Total minimum lease payments	<u>\$ 1,350,110</u>

Operating Leases

During the fiscal year ended June 30, 2006, the County leased equipment, and office space under operating leases. The County's expenditures on those leases for the fiscal year ended June 30, 2006, were \$1,401,589. The County's future minimum rental commitments, accounted for as operating leases at June 30, 2006, are as follows:

	Amount
2007	\$ 18,444
2008	6,600
2009	6,600
2010	4,850
Total	<u>\$ 36,494</u>

The County shares building expense on One Civic Plaza (City/County Building) on a year-to-year basis. A joint City/County annual operating budget for the building is established one month prior to the commencement of the fiscal year.

COUNTY OF BERNALILLO, NEW MEXICO
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During the year, the County, as lessor, leased various office spaces at a cost of approximately \$3.98 million and a carrying amount of \$1.9 million under operating leases. Rental revenue was \$1,317,615 and depreciation expense on those assets was \$159,234.

F. Long-term debt

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Balance			Amounts	
	June 30, 2005	Additions	Deletions	June 30, 2006	Due within One Year
Governmental Activities:					
Bonds:					
G.O. bonds	\$ 82,479,000	\$ 19,201,000	\$(18,205,000)	\$ 83,475,000	\$ 4,895,000
Revenue bonds	187,340,000	43,690,000	(49,520,000)	181,510,000	6,010,000
Deferred amounts:					
Bond premiums	19,464	4,888,617	(405,609)	4,502,473	-
Bond discounts	(35,886)	(413,689)	23,450	(426,125)	-
Refunding	(464,578)	(2,759,651)	281,453	(2,942,776)	-
Total bonds	269,338,000	64,606,277	(67,825,706)	266,118,571	10,905,000
Other liabilities:					
Capital leases	1,562,392	-	(212,282)	1,350,110	212,282
Long-term note	-	7,401,160	(1,814,778)	5,586,382	1,689,320
Compensated absences	9,154,111	6,716,332	(5,888,624)	9,981,819	1,112,137
Governmental activity					
Long-term liabilities	\$ 280,054,503	\$ 78,723,769	\$(75,741,390)	\$ 283,036,882	\$ 13,918,739

	Balance			Amounts	
	June 30, 2005	Additions	Deletions	June 30, 2006	Due within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 1,815,000	\$ -	\$ (35,000)	\$ 1,780,000	\$ 40,000
Compensated absences	206,294	217,773	(215,507)	208,560	10,428
Note payable	-	873,000	(5,695)	867,305	5,980
Business-type activity					
Long-term liabilities	\$ 2,021,294	\$ 1,090,773	\$ (256,202)	\$ 2,855,865	\$ 56,408

COUNTY OF BERNALILLO, NEW MEXICO
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Compensated absences for governmental activities are generally liquidated by the general fund.

General Obligation Bonds are direct obligations of the County for which its full faith and credit are pledged and are payable from taxes levied on property located within the County. During fiscal year 2006, the County issued \$19,036,000 in general obligation bonds. The general obligation bonds outstanding as of June 30, 2006 are comprised of the following issues:

Issue	Amount	Interest Rate	Final Maturity
Series 1997	\$ 8,210,000	4.50%-4.75%	December 1, 2017
Series 1999	14,830,000	4.50%-5.00%	August 1, 2019
Series 2000	1,765,000	5.10%-7.00%	February 1, 2010
Series 2001	4,600,000	4.10%-4.80%	October 1, 2021
Series 2002	15,125,000	3.20%-4.70%	February 15, 2022
Series 2002A	7,420,000	3.00%-4.25%	February 15, 2017
Series 2003	9,460,000	3.15%-4.65%	December 15, 2023
Series 2004	3,029,000	4.00%-4.40%	October 15, 2021
Series 2005	13,775,000	3.38%-4.00%	February 1, 2020
Series 2005A	5,261,000	4.00%-5.00%	February 1, 2025
Total	<u>\$ 83,475,000</u>		

The annual debt service requirement to maturity for general obligation bonds is as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2007	\$ 4,895,000	\$ 3,544,710
2008	5,265,000	3,287,668
2009	5,405,000	3,076,073
2010	5,885,000	2,854,106
2011	5,675,000	2,626,005
2012-2016	25,595,000	9,944,374
2017-2021	25,046,000	4,253,086
2022-2024	5,709,000	396,922
	<u>\$ 83,475,000</u>	<u>\$ 29,982,944</u>

The Gross Receipts Tax Revenue Bonds are limited obligations of the County, payable solely from gross receipts tax revenues. During the fiscal year 2006, the County issued \$43,690,000 in gross receipts bonds. The gross receipts tax revenue bonds outstanding as of June 30, 2006 are comprised of the following issues:

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Issue	Amount	Interest Rate	Final Maturity
Series 1996B	\$ 58,360,000	4.80%-5.70%	April 1, 2027
Series 1997	12,800,000	4.45%-5.75%	October 1, 2017
Refunding Series 1998	47,960,000	4.10%-5.25%	April 1, 2027
Series 1999	5,705,000	5.00%-5.75%	October 1, 2026
Series 2002	1,495,000	3.00%-3.50%	November 15, 2011
Series 2004	11,500,000	3.00%-5.25%	June 15, 2025
Partial Refunding Series 2005	43,690,000	3.50%-5.25%	October 1, 2026
	<u>\$ 181,510,000</u>		

The annual debt service requirement to maturity for gross receipts tax revenue bonds is as follows:

Year Ending	Governmental Activities	
	Principal	Interest
June 30,		
2007	\$ 6,010,000	\$ 9,242,816
2008	5,995,000	9,008,461
2009	6,260,000	8,728,579
2010	6,580,000	8,418,579
2011	6,845,000	8,099,148
2012-2016	36,390,000	35,480,894
2017-2021	45,125,000	25,077,575
2022-2026	55,280,000	12,289,476
2027-2028	13,025,000	623,381
	<u>\$ 181,510,000</u>	<u>\$ 116,968,909</u>

At June 30, 2006, the following general obligation bonds were authorized and unissued.

Approved by	Purpose	Authorized
Voters on		
November 2, 2004	Road Construction and Repair	\$ 2,686,000
November 2, 2004	Storm Drain	7,585,000
November 2, 2004	Parks and Recreation	2,349,000
November 2, 2004	Public Safety	680,000
November 2, 2004	Facility Management	200,000
Total		<u>\$ 13,500,000</u>

COUNTY OF BERNALILLO, NEW MEXICO
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Advance and Current Refunding. On September 27, 2005 the County issued \$13,940,000 of general obligation refunding bonds with an average interest rate of 3.81% to advance refund \$4,410,000 of series 1995 bonds outstanding with an average interest rate of 4.98% and \$2,700,000 of series 1996 bonds outstanding with an average interest rate of 5.27% and \$6,275,000 of series 2000 bonds outstanding with an average interest rate of 5.265%. The net proceeds of \$13,953,950 (including a premium of \$214,258 and \$200,307 in underwriting discounts and issuance cost) were used to purchase U.S. government securities that were placed in irrevocable trust with an escrow agent to provide for all future debt service payments the 1995, 1996, and 2000 Series bonds. As a result, the 1995, 1996, and the 2000 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of assets. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the advance refunding is \$850,846. The advance refunding resulted in an economic gain \$825,867.

On October 19, 2005 the County issued \$42,485,000 of gross receipts refunding tax revenue bonds with an average interest rate of 4.308% to advance refund \$44,375,000 of series 1999 with and average interest rate of 5.41%. The net proceeds of \$46,925,700 (including a discount of \$416,086 and an underwriter's discount of \$352,836) plus additional \$5,486,548 Series 1999 reserve fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the 1999 Series Bond. As a result the 1999 bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of assets. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the advance refunding is \$5,388,786. The advance refunding resulted in an economic gain \$2,261,313

Prior Refunding. In prior years, the County defeased certain general obligation and gross receipts tax revenue bonds by placing cash in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. At June 30, 2006, \$44,735,000 of gross receipts tax revenue bonds and \$5,410,000 of general obligation bonds outstanding are considered defeased.

Long-Term Notes. January, 2005, the County entered into an agreement with the New Mexico State Department of Transportation for a loan in the amount of \$7,401,160 to finance a portion of the construction of Isleta Boulevard reconstruction project. The loan and interest of \$275,840 are to be repaid over four years with pledged federal revenues. The principal payments for the years ended June 30, 2007, 2008 and 2009 are \$1,689,320, \$2,392,345 and \$1,504,717 respectively for a total of \$5,586,382.

Business-type activities long-term debt

The annual requirement to amortize the Multifamily Housing Refunding and Improvement Revenue Bonds outstanding as of June 30, 2006, is as follows:

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	Principal	Interest
2007	\$ 40,000	\$ 104,130
2008	40,000	101,790
2009	45,000	99,450
2010	45,000	96,817
2011	50,000	94,185
2012-2016	290,000	424,418
2017-2021	385,000	328,478
2022-2026	505,000	203,286
2027-2029	380,000	45,337
Total	<u>\$ 1,780,000</u>	<u>\$ 1,497,891</u>

G. Short-term debt

Tax and Revenue Anticipation Notes

On December 15, 2005, and June 29, 2006 the County issued tax and revenue anticipation notes (TRANs) in the amount of \$20,000,000, and \$35,000,000 respectively. The County issues TRANs in advance of property tax collections, depositing the proceeds in its general fund. These notes are used to finance current expenditures pending receipt of tax payments in May and November.

Short-term debt activity for the year ended, was as follows:

	Balance			Balance
	June 30, 2005	Additions	Deletions	June 30, 2006
Governmental Activities:				
Bonds and notes payable:				
Tax anticipation notes	\$ 45,000,000	\$ 55,000,000	\$ (45,000,000)	\$ 55,000,000

H. Special assessment bonds

The County, acting as the agent for the property owners, issued Special Assessment District Improvement Bonds to finance street and road improvements. The bonds are payable from and secured by a pledge of district special assessments. For redemption purposes, the bonds are numbered consecutively. All or any part of the bonds are subject to redemption in numerical order at the option of the County on any interest payment date prior to maturity, at a price equal to the principal amount thereof plus accrued interest to the redemption. The bonds bear interest from their issue date and are paid semiannually thereafter until paid. The bonds are not a debt of the County, and the County did not pledge its full faith and credit for payment of the bonds. The payment of the bonds is not secured by any encumbrance, mortgage, or other pledge of property

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of the County except for district special assessments. No property of the County, subject to foregoing exception, shall be liable to be forfeited or taken in payment of the bonds.

The activities relating to the collection of special assessments and the payments on special assessment bonds are included in the agency fund accounts.

The following is a summary of Special Assessment Bonds payable as of June 30, 2006:

Improvement Bonds	Interest Rate	Date Issued	Date Series Matures	Amount of Original Issue	Bonds Outstanding June 30, 2006
Comanche Griegos BC-83-1A	7.25%	12/03	12/15/23	\$1,390,000	\$310,000
Comanche Griegos BC-83-1B	6.25%	12/03	12/15/23	\$2,085,000	\$1,885,000

At June 30, 2006, the Second Street, East Mountain, Paradise Hills, South Valley, and Heatherland Hills special assessment bonds had been fully paid. The remaining potential assets were as follows:

	Second Street BC-85-3	East Mountain BC-85-4	Paradise Hills BC-84-2	South Valley BC-84-1	Heatherland Hills BC-84-5
Cash and investments	\$ -	\$ 15,526	\$ 10,559	\$ 18,625	\$ -
Accounts receivable:					
Billed, but uncollected	1,804	20,398	17,083	56,830	959
Total	<u>\$ 1,804</u>	<u>\$ 35,924</u>	<u>\$ 27,642</u>	<u>\$ 75,455</u>	<u>\$ 959</u>

In accordance with State Statute Section 4-55A-28, NMSA, 1978 Compilation, the Board of County Commissioners may transfer to the general fund money obtained from the levy of an assessment for an improvement district if:

1. Bonds or assignable certificates were issued to finance the improvement; and
2. The funds obtained by the bonds or assignable certificates were spent for the improvement; and
3. The assessments were levied and collected for the payment of the bonds or assignable certificates; and

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4. Either the bondholders or assignable certificate holders are barred by the statute of limitations or a court judgment or decree from collecting the indebtedness; or
5. The bonded indebtedness or assignable certificates have been paid.

I. Conduit debt obligations

From time to time, the County has issued Multifamily Housing Revenue Bonds to provide financial assistance to private sector entities for the acquisition, construction and rehabilitation of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State of New Mexico nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, there were eleven series of project revenue bonds outstanding, with an aggregate principal amount payable of \$91,660,000.

J. Fund balance reservations

The New Mexico Department of Finance and Administration (DFA) requires that 3/12 of budgeted expenditures in the general fund be reserved as subsequent-year expenditures to maintain an adequate cash flow until the next significant property tax collection. The DFA required reserve balance for FY06 is \$47,880,110. Another portion of the general fund balance is unreserved and designated for subsequent years' expenditures in the amount \$40,815,441 which includes \$19,721,768 designated for unencumbered carryover, \$4,100,000 for next year one-time salary adjustment, \$10,000,000 designated for capital projects, and \$6,993,673 for budget stabilization.

K. Financial data schedule reconciliation

The Seybold Village Handicapped Project Enterprise Fund was presented in two columns on the Financial Data Schedule (FDS). The net assets reconcile to the financial statements as follows:

<u>Net Assets</u>	<u>Amount</u>
Net Assets – Low Rent 14.850	\$ 1,424,794
Net Assets– CFP 14.872	34,838
Net Assets– Seybold Village Handicapped Project	<u>\$ 1,459,632</u>

The Section 8 Housing-Voucher Special Revenue Fund was presented in accordance with generally accepted accounting standard as applied to governmental funds. The FDS equity balance was adjusted to include the effects of compensated absences that are not reflected in the governmental fund presentation as follows:

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<u>Net Assets</u>	<u>Amount</u>
Net Assets –Housing Choice Voucher 14.871	\$ 230,117
Compensated Absences	13,777
Fund balance – Section 8 Housing-Vouchers	<u>\$ 243,894</u>

The Housing Authority Enterprise Fund was presented in accordance with generally accepted standards as applied to enterprise funds. The FDS equity balance was adjusted to include the effects of compensated absences that are reflected in the business-type activities enterprise fund presentation as follows:

<u>Net Assets</u>	<u>Amount</u>
Net Assets – State/Local	\$ 2,255,076
Compensated Absences	(13,776)
Fund balance – Housing Authority	<u>\$ (2,241,300)</u>

L. Restatement prior year net assets

A prior year accounts payable in the amount of \$210,033 was not recorded in the correct period. The effect on the Solid Waste Fund net assets of \$780,525 as previously reported was a decrease of \$210,033 to reflect the correction.

V. Other information

A. Risk management

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County joined with other county governments to form a Workers' Compensation Pool in July 1987 and a Multiline Pool in January 1989. These public entity risk pools operate as a common risk management and insurance program for workers' compensation and property and casualty coverage. The County pays an annual premium to the pools for general insurance coverage.

The pools are authorized by joint powers agreements entered into by each county as a separate and independent governmental and legal entity pursuant to the provisions of NMSA 1978 Sections 11-1-1 et seq. The agreements for formation of the Pools provide that the pools be self-sustaining through member premiums and reinsure through commercial companies for claims in excess of \$300,000 and \$250,000, respectively, for each insured event. Both pools are funded entirely by member premiums and are administered by the New Mexico County Insurance Authority.

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The Workers' Compensation Pool provides workers' compensation coverage for every County employee. There are 28 counties in this pool, which for fiscal years ended 2006 and 2005 contributed a total of \$5,110,819 and \$4,049,028 respectively. The premium that each county pays depends upon the payroll total and the loss experience specific to that county. For fiscal years ended 2006 and 2005, the County contributed \$663,192 and \$510,148 respectively, to the Worker's Compensation Pool. The self-insured retention level for the pool during the period of coverage July 1, 2005 through June 30, 2006 was \$300,000 (that is the maximum amount of coverage for each insured event before obtaining reinsurance). The pool has reinsurance coverage for losses above that amount from County Reinsurance Limited.

The Multiline Pool provides property and casualty coverage for 24 counties. The coverage includes buildings and contents, automobile physical damage, general liability, personal injury (including civil rights), host and liquor liability, automobile liability, public officials errors and omissions, money and securities, commercial blanket bond (employee fidelity), and depositors' forgery. The total premiums for this pool were \$6,852,290 and \$6,457,533 for the years ending December 31, 2006, and 2005, respectively. The County paid premiums to the Multiline Pool in calendar years 2006 and 2005 of \$1,608,346 and \$1,608,346, respectively.

The self-insured retention level for this pool during the period of coverage January 1, 2005 through December 31, 2006 is \$150,000 for property and \$250,000 for liability per occurrence (that is the maximum amount of coverage for each insured event before obtaining reinsurance). The pool has reinsurance coverage for losses above that amount from County Reinsurance Limited, to a policy limit of \$2,000,000. Additionally, the pool has purchased another excess liability policy in the amount of \$3,000,000.

The pooling agreements require the pools to be self-sustaining; it is not possible to estimate the range of contingent losses to be borne by the County. The Pool Boards retain a \$3,000,000 equity prior to evaluating any refunds to the participating counties based upon losses expensed and losses incurred. The pools retain the risk of loss to be shared proportionately by pool participants. The County does not retain the sole risk of losses incurred by the County. There were no payments in excess of insurance coverage for the years ended June 30, 2006, 2005, and 2004.

The New Mexico County Insurance Authority has published its own financial reports for the fiscal year ended June 30, 2005, which can be obtained from the New Mexico Association of Counties, 613 Old Santa Fe Trail, Santa Fe, New Mexico, 87501.

The County carries commercial insurance for all other risks of loss, including law enforcement liability, emergency medical, foreign jurisdiction and excess liability, boiler and machinery, and sheriff reserve and rescue personnel. There were no payments in excess of insurance coverage for the years ended June 30, 2006, 2005, and 2004.

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B. Contingencies

Litigation. The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County. There were 86 open cases during fiscal year 2005. Twenty-six cases were closed subsequent to June 30, 2006. Sixty cases remain open as of June 30, 2006. Insurance deductibles related to outstanding claims are estimated not to exceed \$100,000. The County is not aware of other threatened lawsuits or claims pending in excess of \$50,000.

Grant Compliance. The County receives significant financial assistance from the U.S. government. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantor. As of June 30, 2006, management estimates that no material liabilities will result from such audits.

County Medicaid 1/16 Gross Receipts Tax Equivalent. Under State Statute Section 27-10-4, NMSA 1978 Compilation, a county which does not enact an ordinance imposing a county health care gross receipts tax pursuant to State Statute Section 7-20E-18, NMSA 1978 Compilation is required to dedicate to the county-supported Medicaid fund “an amount equal to a gross receipts tax rate of 1/16 of one percent applied to the taxable gross receipts tax reported during the prior fiscal year by persons engaging in business in the county.” The County is currently complying with this statute through an arrangement with University Hospital. University Hospital transfers the equivalent of 1/16 percent gross receipt tax from revenues it receives to comply with the statute. However, if University Hospital fails to make this transfer, the County is liable for the transfer each year. Currently, that amount is approximately \$9.5 million annually.

Other. At June 30, 2006, the County is committed to \$4,911,674 under construction contracts for capital assets.

C. Joint ventures

Regional Juvenile Detention Center. The Regional Juvenile Detention Center (RJDC) was established by a joint powers agreement between Bernalillo, Sandoval, and Valencia counties on June 26, 1996. The County manages and operates the facility, which is the primary juvenile detention center for Sandoval and Valencia counties and serves as an adjunct to the County’s Juvenile Detention Center. Sandoval and Valencia counties contribute one hundred percent of the costs of the operation of RJDC. The County receives a seven percent administrative fee for its management services. The operation is accounted for in a proprietary fund to provide management control and accountability to participants.

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Torrance County/Bernalillo County Regional Landfill. The County and the Torrance County Solid Waste Authority (TCSWA) entered into a joint powers agreement on April 21, 1998 for the construction and operation of a regional landfill. The County contributed \$633,000 toward the initial costs of acquiring, constructing, designing, developing, and equipping the facility, which constitutes its total equity interest. The County's ownership interest is commensurate with the proportion of funds it provided. It is the intent of the parties to establish tipping fees in an amount sufficient to recover all of the operating costs of the landfill.

Upon termination of the agreement, assets and surplus funds will be distributed pro rata between the parties in accordance with their then existing ownership interests.

TCSWA will operate the facility and is designated as the fiscal agent. The financial report of the Torrance County/Bernalillo County Regional Landfill can be obtained from the Torrance County Solid Waste Authority, 515 Allen Street, Estancia, New Mexico 87016.

D. Retiree Health Care Act

The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public services in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act, or the Magistrate Retirement Act.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period for contributions becomes the time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to .65 percent of the employee's annual salary. Each

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participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRCHA effective date or is a former legislator and made no contributions to the plan.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd, NE, Suite 104, Albuquerque, New Mexico 87109.

For the fiscal year ended June 30, 2006, the County remitted \$713,212 in employer contributions and \$356,638 in employee contributions to the Retiree Health Care Authority.

E. Public employees' retirement system

Plan Description. Substantially all of the Bernalillo County full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy. Plan members are required to contribute 9.15-16.65% of their gross salary and the County is required to contribute 9.15-21.25% depending upon the division of the gross covered salary. The contribution requirements of plan members and the County are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. County contributions are currently required for PERA retirees that return to work and retirees are required to contribute after their salary reaches \$25,000. The County's contributions to PERA for the years ending June 30, 2006, 2005, and 2004 were \$7,088,026, \$6,532,575, and \$5,928,824 respectively equal to the amount of the required contributions for each year. In accordance with Chapter 10, Article 11, Section 5 NMSA 1978, the County has elected to make contributions of seventy-five percent of its employees' member contributions under the General-management, blue collar, white collar, sheriff, fire

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and Juvenile Detention Center (JDC) plans. The following table outlines the divisions the County participates in and the contributions for the year ending June 30, 2006.

Covered Division	<u>Employee</u>		<u>Employer</u>	
	Percent	Dollars	Percent	Dollars
General-management, blue collar and white collar	13.15%	\$4,259,283	9.15%	\$3,003,149
General-other	9.15	33,438	9.15	81,740
Sheriff	16.30	1,910,132	18.50	2,167,944
Fire	16.20	914,392	21.25	1,203,187
JDC	16.65	632,006	16.65	632,006

VI. Significant effects of subsequent events

On July 1, 2006 the County became the sole operator of the Metropolitan Detention Center (MDC). For the past thirty years, under a Joint Powers Agreement, the City of Albuquerque (City) was responsible for the daily operations of the facility and both the City and the County shared equally in the operating costs. However, the debt service payment for the MDC is the sole responsibility of the County. In October 2005, the Board of County Commissioners approved the adoption of the ordinance to implement a 1/8 percent Correctional Facility Gross Receipts Tax A (GRT) countywide effective July 1, 2006 to plan for the possibility of operating the MDC without financial assistance from the City. The GRT is effective July 1, 2006.

On November 17, 2006 the County sold \$10,000,000 of general obligation bonds that were approved by voters on November 2, 2004. The bonds mature in serial amounts from February 1, 2008 through February 1, 2027. Interest rate coupon amounts range from 4.25 percent through 4.5 percent.